

# SDS Group Berhad (0212)



## Setbacks Happen, Growth Continues

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**BUY** ↔

**TP: RM 1.67 (43%)** ↔

**Current Share Price: RM 1.17**

**Result Report**

**Growth**

**Investment Horizon  
12 months**

### Valuation

**Our target price is based on:**

FY26F PE of 15x, in line with its indirect peer that serve baked goods to the mass market, we are projecting stronger earnings growth from both wholesales and retail segments

### Results Review

SDS's 9MFY25 core net profit of RM27.1mil came below expectation at 68% of ours. The negative variance was due to higher expenses from new acquisition of delivery fleet.

On a QoQ basis, 3QFY25 core net declined by 15% due to increase in selling and distribution expenses on the expansion of delivery fleet and high return rate on new distribution area for wholesale segment. We believe that consolidation process on delivery fleet will continue in the subsequent quarters, but we anticipate the incremental expenses to be minimal. Notably we expect 4QFY25 will be a slightly weaker in earnings due to Ramadan period and the subsequent quarters to improve.

### Outlook

We maintain positive on SDS as they continue to expand their fleets and retail outlets. We understand there are new launches of 2 retail outlets across Klang Valley and Johor, to 41 retail outlets as of 9MFY25. The new location successfully draws higher foot traffic and increased brand awareness. Besides that, its wholesale segment will grow as its fleet expands to new regions. We cut our forecast earnings by 10% to reflect the higher expense from acquisition. However, we maintain our call and TP of RM1.67 based on an unchanged 15x FY26F PER to reflect the continuous growth in both segments.

### Key Assumptions

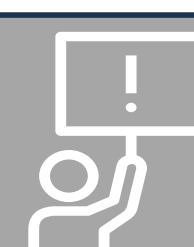
Revenue growth	Before			After		
	FY2025E	FY2026E	FY2027E	FY2025E	FY2026E	FY2027E
Wholesale revenue growth	10.0%	10.0%	10.0%	6.0%	13.0%	10.0%
# of retail outlet	43	46	49	43	46	49
Same store sales growth	2.0%	2.0%	2.0%	3.0%	2.0%	2.0%
Overall GP margin	34.5%	34.5%	34.4%	34.5%	34.5%	34.4%

## Results Summary

FYE 31 Mar (RM'mil)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	85.7	90.9	89.5	-1.6	4.3	241.9	263.4	8.9
Gross profit	30.6	32.4	30.5	-5.9	-0.3	82.0	91.8	12.0
EBITDA	18.2	18.5	16.9	-8.4	-6.8	46.4	52.3	12.6
Depreciation	-4.5	-5.1	-5.6	-8.1	-22.4	-13.1	-15.4	-17.8
EBIT	13.6	13.3	11.4	-14.7	-16.5	33.3	36.9	10.6
Pretax Profit	13.4	13.1	11.1	-15.1	-17.0	32.7	36.1	10.5
Taxation	-3.0	-3.2	-2.7	14.6	10.7	-7.8	-8.8	-12.3
Net Profit	10.4	9.9	8.4	-15.2	-18.9	24.9	27.4	10.0
Core Net Profit	10.3	9.8	8.3	-15.5	-19.3	24.6	27.1	9.8
Margin (%)								
GP	35.6	35.6	34.1			33.9	34.9	
EBITDA	21.2	20.3	18.9			19.2	19.8	
Pretax	15.6	14.4	12.4			13.5	13.7	
Net Profit	12.0	10.8	9.3			10.2	10.3	

## Financial Exhibits

FYE 31 Mar	FY2023A	FY2024A	FY2025E	FY2026E	FY2027E
Revenue (RMm)	283.7	324.1	348.8	393.2	433.5
EBITDA (RMm)	48.9	62.0	66.6	80.1	87.8
Pretax profit (RMm)	32.8	43.3	47.7	60.5	67.6
Net profit (RMm)	24.8	32.9	36.3	45.9	51.4
EPS (sen)	6.1	8.0	8.9	11.2	12.5
PER (x)	19.3	14.6	13.2	10.4	9.3
Core net profit (RMm)	24.5	32.6	35.9	45.5	50.9
Core EPS (sen)	6.0	7.9	8.8	11.1	12.4
Core EPS growth (%)	131.0	32.7	10.3	26.7	11.8
Core PER (x)	19.5	14.7	13.3	10.5	9.4
Net DPS (sen)	1.3	1.7	1.8	2.3	2.5
Dividend Yield (%)	1.1	1.4	1.6	2.0	2.1
ROE (%)	23.7	25.5	22.9	23.6	21.7
P/BV (x)	4.6	3.7	3.1	2.5	2.0



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##### Equity:

BUY: Total stock return expected to exceed +15% over 12-month period

HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period